

Montana Wheat and Barley Committee Winter Board Meeting
W.H.E.A.T. Building Conference Room
Great Falls
April 6-7, 2006

(Note: Please read entire set of minutes as various topics are referenced in more than one place.)

The following were present for either a portion of or the entire meeting.

DIRECTORS

Dan DeBuff	Karen Schott
Frank Schoonover	Don Fast
Janice Mattson	Brian Kaae

EX-OFFICIOS

Dr. Jeff Jacobsen, Dean; Montana State University College of Agriculture
Marvin Blodgett, Grain Merchandiser, General Mills Operations, Inc., Great Falls

STAFF

Kim Falcon
Cheryl Tuck
Kolleen Spurgin

GUESTS

Terry Whiteside, Freight Rate Consultant; Whiteside and Associates
Thomas Chard, Statistician; Montana Agricultural Statistics Service (MASS)
Joel Clairmont, Deputy Director and Administrator; Agricultural Dev. Div.; Montana Department of Agriculture
Lee Boyer, Past Interim Bureau Chief; Montana State Grain Laboratory
Darin Arganbright, Vice President; Montana Grain Growers Association
Lola Raska, Producer; Fife
Dale Schuler, President; National Association of Wheat Growers
Richard Owen, Executive Vice President; Montana Grain Growers Association
Lochiel Edwards, Producer; Big Sandy
Craig Essebaggers, Bureau Chief; Montana State Grain Laboratory
Dan Kidd, Past Director; MW & BC and Producer; Big Sandy
Joel Clairmont, Deputy Director of MT Dept. of Agriculture and Administrator; Ag Development Division
Ryan McCormick; Board Member; Montana Grain Growers Association

Chairman Dan DeBuff called the meeting to order at 8:06 a.m. on April 6, 2006. No guests were present at this time and no introductions were made and no call for public comment was asked for at this time. The tentative agenda was adopted, by consensus, with no changes.

Kim Falcon, Executive Vice President, briefly reviewed the minutes of the February 21-22 Research Review meeting in Bozeman, dispensing with the actual reading of the minutes. Karen Schott and Jeff Jacobsen submitted corrections.

1) M/S/C Don Fast and Frank Schoonover – That minutes of the Montana Wheat and Barley Committee meetings reflect only actions and decisions of the Board, according to Roberts Rules of Order and any dissenting votes. Chairman DeBuff wished to have these minutes reflect he was opposed to this motion.

Kolleen Spurgin presented the Financial Report covering the period December 2005 through February 2006. Expenses to date totaled \$1,290,530.44 and the account balance, as of February 28, 2006 was \$2,550,264.72.

Directors requested that the Leave Liability Report should, in the future, be noted on the balance sheet but not subtracted out from the balance at the bottom of the page. It was recommended that Falcon look into making the leave liability a line item, under "Salaries" in the Financial Statement.

Falcon presented a Collections Update listing projected carry-over at \$2,636,995, and spending authority (FY 2007) at \$2,875,180. Mention was made that increased spending authority could be requested or a budget modification could be sought if the Board felt either action was warranted.

Cheryl Tuck presented Code-a-Phone, Information Specialist Activities Diary, Information Request Processed and I.S. reports and briefly reviewed budget requests for the Trader's Dispatch, an annual report, the Wheat and Barley-a-Thon and the Market News Service.

Joel Clairmont indicated that Director Nancy Peterson regretted not being able to attend, and, in her behalf, he introduced the new Bureau Chief of the State Grain Laboratory, Craig Essebaggers.

Essebaggers presented information on his background and discussion was held about the multiple challenges that must be addressed to make the Lab self-supporting. The Board wanted Essebaggers to know that producers indeed want the Lab but there is a distinction between "wanting it" and "using it" and the problem is not unique to Montana.

The Board and some guests adjourned to the Conference room in the MW&BC office to participate in a conference call with Leonard Schock, Vice Chairman of U.S. Wheat Associates (USWA). Schock briefed the Board on the fact that USWA is entertaining the idea of possibly filing a suit against the federal court against the Australian Wheat Board in violation of breaking U.S. laws. He additionally advised that a nearly-finalized draft delineating the division of existing WETEC duties between USWA and NAWG has been prepared.

After a brief break, the Board reconvened to the basement conference room and heard updates on USWA, Wheat Export Trade Education Committee (WETEC), the U.S. Grains Council (USGC), Northern Crops Institute, the Wheat Marketing Center and the Wheat and Barley Foods Councils and presentations of proposals submitted by each organization. Most groups had not had meetings since the Board met February 6 and 7.

Clairmont reported the Governor's office is working to find a replacement on the Board for Robert Candee, Richey, who withdrew from the Board in order to campaign for the office of U.S. Senator. Additionally, the state received a grant for the Department of Labor to work on bio-fuel plant start-ups. The Montana Department of Agriculture is starting to prepare for the upcoming legislative session but presently the Department intends to propose no legislation. Lee Boyer, Acting Bureau Chief for the Lab, prior to Essebagger's acceptance of the position, explained historical funding patterns and current amounts for the Lab.

Fast suggested there is a huge warehouse of federal laboratory testing equipment available and he will provide Essebaggers with a contact name.

At the conclusion of the Montana Department of Agriculture report by Clairmont, the proposals for the Young Ag Couples Conference and the Organic Certification Program were presented.

Terry Whiteside gave a status report on the Churchill Project; reviewed the Montana tour with Surface Transportation Board Chairman, Doug Buttrey and the Governor; mentioned that freight rate books for the nation are being prepared; what is happening with ocean freight rates; the filing of Ex Parte's regarding paper barriers and fuel surcharges, and the large attendance at the recent Captive Shippers' Day.

The Committee broke for lunch at 12:45 p.m. and reconvened at 1:20 p.m.

Dan Kidd reported that the number one issue for the Grain, Inspection, Plant and Stockyard Authority (GIPSA) is stowage examinations, a problem which won't go away, in part, he suggested, because grain companies won't accept a share of the liability in conducting these exams. The new Near Infrared Technology test for wet

gluten is the first step in getting a “black box” rapid testing system for wheat functionality. China will begin to specify protein and wet gluten in their tenders. The European Union is issuing a new, “one part per million” limit on vomitoxin.

Kidd added, from a Federal Grain Inspection Service (FGIS) perspective, this is not good news because of the difficulty in testing for such low levels. There is some thought that FGIS operations may be privatized nationally. Kidd reported that the head of FGIS, David Shipman, is willing to accelerate Essebagger’s inspector certification process and the only cost will be for his transportation to the training center and lodging. The directors reiterated they are prepared to “go outside the box” to help Montana preserve its State Grain Lab.

Kidd reported there has been little progress on the World Trade Organization (WTO) since the Hong Kong round of talks. Sticking points include elimination of export subsidies and undefined disciplines on State Trading Enterprises. The U.S. is under fire because of our food aid program. The EU is not budging on market access or import tariffs and it is losing support for its domestic farm programs. The G-7 countries will be a driving force to move the WTO forward.

Regarding Free Trade Agreements (FTA), the ongoing negotiations with Korea would result in the biggest FTA since NAFTA. If an FTA is approved for Colombia, the U.S. could realize 100% of that market.

Kidd’s major focus on the Agricultural Technology Advisory Committee (ATAC) is State Trading Enterprise (STE) reform and transparency. He pointed out there is a difference between a transparent importing STE and a trade distorting, non-transparent, exporting STE. He encouraged the Board to share their concerns with him so he can convey them at these meetings.

2) M/S/C Janice Mattson and Don Fast – That \$5,000 from this fiscal year’s budget be paid toward Dan Kidd’s expenses to travel to and report on GIPSA, ATAC, WTO and NBGA meetings.

Marvin Blodgett distributed his “View from the Trade” report indicating there is a weather premium in the market today; Minneapolis trade has been a “follower” to Kansas City trade because of this year’s small HRW wheat crop; and the market, in his opinion, may be good for another dime in prices before the support fails.

Dale Schuler reported the issues NAWG is working on include cellulose-based ethanol, the Endangered Species Recovery Act, the Farm Bill with movement towards a larger fixed payment and Emergency Farm Energy Assistance.

The National Barley Growers Association wants to have travel restrictions to Cuba lifted; support for the National Barley Improvement Committee recommendations on research, especially the stem rust initiative; and to continue to push for no lowering of crop insurance for barley.

Ryan McCormick represented the newly-formed Young Grain Growers group that will not be policy-driven but educational in nature. He also discussed the proposal submitted by his group.

Chairman DeBuff wanted the Montana Grain Growers Association to investigate what it would take for them to resume basis charting on their MontanaMarketManager web site. Richard Owen will look into this.

Thomas Chard discussed the recent USDA Planting Intentions Report, pointing out the shift of acreage away from durum. The Montana Agricultural Statistics Service has begun issuing its weekly Crop-Weather Report and the most recent report reflects improved top and sub-soil moisture levels. He reviewed MASS proposals.

Schoonover attended a Quality Workshop in Dutton put on by the local John Deere dealership. General Mills, Cenex Harvest States, Pasta Montana, Mountain View Co-Op, Anheuser Busch and Frontline Ag were all represented and given an opportunity to speak.

Fast, who recently returned from a USWA Latin America mission, said all the countries he visited wanted white wheat but not a little now and a little later. Consistency is needed to develop that market. There is a need for grain cleaners in the Gulf and our buyers must be educated on how to "spec" for the grain quality they want. He will send his formal report to Tuck, who will distribute it in the Friday mailing. He added that Peru imports 100% of their wheat needs and in bilateral agreements, wheat and barley are "big winners". According to Fast, Mexico is our new Japan. This market is a good fit for us. These countries are starting to look at the benefits of whole wheat, as well. Presently, the U.S. has 60% of the Colombian market but if an FTA is approved, our market share could be 100%. He stressed the important of bringing buyers to NCI, the WMC and the Grains Institute in Kansas for training.

Except for substituting Frank Schoonover as an alternate for USWA in place of Karen Schott, no changes will be made to the directors' assignments until a new director is appointed.

3) M/S/C Don Fast and Brian Kaae – That the MW&BC send a letter thanking the Governor for his active support on transportation issues on behalf of Montana wheat and barley producers.

Discussion was held on what would be a prudent revenue level to have at the end of the current fiscal year and FY2006-'07.

Dr. Jacobsen reviewed the biggest issues for the coming year for the College of Agriculture __ land and water. Huge subdivisions are going in around the Post Farm and, as a short-term solution to the encroachment, Jacobsen will have a fence put in and Carigana planted. The college of Agriculture at MSU has just less than 600 acres but there may be cultural and political ramifications regarding its use.

The Committee reviewed 28 proposals from MSU for FY '06-'07 and Jacobsen reviewed them. In discussion regarding the "parasitoid relocation project", Jacobsen said it is not up to the researcher, David Weaver, to implement the distribution of these biological control parasitoids.

The Board directed Falcon to solicit a new proposal to address the long-term distribution of the parasitoids. Discussion was also held about which projects could be funded out of this Fiscal Year.

The Board suggested that for the next budget meeting, criteria should be developed to choose a producer to participate in an overseas market development mission.

Falcon was asked to solicit new trade team visits to Montana and the Mexican millers group was given as an example.

It was pointed out that, recently, assessment collections on barley have been running 10% to those of wheat. This is down from the previous ratio of 20% (barley) to 80% (wheat).

4) M/S/C Frank Schoonover / Don Fast - That the amount of \$265,688 be approved to fund USWA dues in arrears (\$250,688) and a portion of Deanna Nash's project (\$15,000) out of the current Fiscal Year budget.

5) M/SC Brian Kaae / Don Fast - That the FY 2006-2007 budget be set in the amount of \$2,595,302.

It was decided by the consensus of the group to table discussion of the strategic plan developed in February.

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6) M/S/C Don Fast / Frank Schoonover - That Kim Falcon attend the Surface Transportation Board hearing in May, 2006 in Washington, D.C. and the Ethanol Producers and Consumers Convention June 22 in Whitefish.

Chairman DeBuff made a final call for public comment.

The meeting was formally adjourned at 12:53 p.m.

Kim Falcon, Executive Vice President

Date